

**Press Conference
by
Ambassador Peter Allgeier
Deputy U.S. Trade Representative
and
Ambassador Linnet Deily
Deputy U.S. Trade Representative
U.S. Representative to the WTO**

**The Ongoing Global Trade Negotiations
At the WTO**

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WTO**

(Begin transcript)

AMBASSADOR ALLGEIER : ... We thought this was a useful point at which to meet with you. First of all there are less than three months between now and the Cancun Ministerial in mid-September and we certainly feel that there has been a substantial amount of work accomplished in the last eighteen months. Certainly it's more work and it's further along than at the comparable point in the Uruguay Round but we have a much tighter schedule than in the Uruguay Round. The Cancun Ministerial of course was scheduled at roughly the half way point the mid-way point in the time table for these negotiations to be completed.

Basically we see the next five weeks between now and July 25th, which is when the General Council meets, as a very critical time in terms of setting the stage for the final push to Cancun. So if you look at the preparations for Cancun in basically two blocks five weeks between now and July 25th and then roughly six weeks after that to Cancun you can see why these next five weeks will be so important. And of course we will be joining several of our colleagues at the Informal Ministerial at Sharm El-Sheikh. This will be an opportunity for some thirty ministers to take stock of where things are now and to provide their delegations with some guidance so that we can use these next five weeks to maximum advantage. Let me simply say that Ambassador Zoellick has been extremely active in the last month in preparation for the Cancun Ministerial. He has traveled to Latin America to meet with Brazil, and was of course at the APEC Summit. We had thirteen Ministers from the western hemisphere in Washington last week, primarily of course to talk about the Free Trade Area of the Americas but it was also an opportunity to discuss the negotiations here. In addition we've had a number of visitors to Washington, Minister Jaitley from India was there, with his team, for an extensive consultation on the WTO negotiations, and other ministers including Pakistan's minister, who visited this week. We've invited some twenty ministers from Africa to meet next week in Washington and the WTO of course will be an important subject there as well. The US-EU Summit also will be occurring. In all of these contacts we have been reaching out to the other members to try to move these negotiations forward.

The message that comes through crystal clear from all quarters is that the key to moving forward significantly right now is agriculture and the group that holds that key is the European Union. Obviously everybody is watching very closely their efforts to complete an agreement on CAP Reform. We understand that those efforts have been suspended at least in terms of meetings in Greece and that they will get back together again next week. So this makes very clear that the responsibility is on the member states of the European Union to decide on European Union agriculture reform. Certainly, for the success of these negotiations it will be essential that this reform

give the European Union enough flexibility that they can advance the negotiations on agriculture. So many of the other elements of the negotiations, particularly the other market access elements that are the core of this negotiation depend upon agriculture. You can see this fairly clearly in the work that has been done on non-agriculture market access. There's very good work being done substantively on that but there's a limit to which people are willing to make commitments in that area until they have a better sense of what is going to be on offer or at least under negotiation in agriculture.

The only other thing I would say about agriculture is that we do need to keep in mind that the Doha mandate includes three pillars: export competition, domestic support and market access. Now what is being examined in the European Union has implications for domestic support, which has implications for export competition. But we cannot forget the third pillar which is market access. That will have to be fully addressed in the negotiations for the negotiations to be completed successfully.

QUESTION : Ambassador, you say that the ball is really in the EU's camp. It's clear from the negotiations so far that the best that the EU will do is partial de-coupling of subsidies from production. Is that good enough? Is anything better than nothing? Or will that not be enough to give the talks here a kick?

ALLGEIER : Well I think that on partial de-coupling there's a spectrum. There is partial de-coupling 10 percent and partial de-coupling 90 percent and obviously you will have different answers depending on which pole you are closer to. It is not a decision that one country can pronounce upon. It would have to come from the negotiating process. So obviously our hope is that they get as close to 100 percent de-coupling as possible, but at this point I certainly wouldn't say that unless they get to 98.6 percent then everybody walks away. Also, everybody has a different point at which they feel that partial is insufficient.

QUESTION: On TRIPs we just heard from Mr. Lamy that he will be meeting with American companies next week to try to convince them to accept the article 6 arrangement before or in Cancun. What is your projection about TRIPs and whether you can arrive in Cancun with a deal already established? And secondly, regarding FTAA, how do you see the proposal of some Mercosur countries regarding market access being the main focus of FTAA and not an enlarged agenda? Thank you.

ALLGEIER: OK, first of all with respect to TRIPs, we certainly feel that it's highly desirable that we resolve this issue by the time of Cancun. We of course have been working with other countries and with our industry. Our industry's principal concern, its overriding concern, is that countries not abuse the flexibility that would be provided by resolution of this paragraph 6 issue. And by abuse what they mean is countries not really using it to deal with legitimate health crisis but rather using it for commercial policy promote a generic industry in their country. The other concern they have is with diversion of the product that is meant to meet the needs of poor countries. We already have seen instances in which a product that is being sent to a poor country for that purpose doesn't even get through the customs service of that country. It gets diverted and back in the European market or another developed country market. And so those are the two principal concerns of our industry. Can we have a system which helps to ensure that the flexibility is not abused and can we also have support from the countries, active efforts by the countries, to avoid the diversion of the products? Diversion is not only bad for our companies, but it's bad for the people who need the drugs. So those are two very legitimate concerns and we hope to work with the countries and with the companies to address those concerns adequately. As you know we have an extremely strong commitment to dealing with the problems of these diseases, particularly HIV/AIDS in poor countries. You know that the President, has not only pledged but has gotten Congressional approval for 15 billion dollars to address the needs of people who need drugs and

therapies for HIV/AIDS.

Your second question about the FTAA: one of the issues that the thirty four countries have to decide on is what exactly will the FTAA agreement look like in January of 2005. The Mercosur countries, or at least Brazil has one conception of it, which is a pared down version focusing on market access. They have only recently really articulated that, and so other countries are reviewing it, but also reviewing their own thinking on what is achievable. So that process is one that is going to take some additional time. We will be having a meeting of the Trade Negotiating Committee in El Salvador the week of July the 7th. There'll be further discussions then and there'll be further discussions by ministers. I think that this is the sort of thing that probably will take between now and the Miami Ministerial in November to fully come to a conclusion. But our hope and expectation is that by that time there will be a clear enough common view of what the FTAA should look like in January of 2005 that we will be able to complete those negotiations in 2004.

QUESTION: Sir I wonder if you can comment on the U.S. position on the Singapore issues because it seems to us that you have different opinion with other countries like EU and Japan.

ALLGEIER: I think that our position has been clear for some time. We believe that, on trade facilitation and transparency in government procurement there has been very substantial work done over the years and that they are ready for a substantive negotiation of obligations in both areas.

With respect to investment and competition policy, they are relatively newer issues. It is clear even from the time of Doha, that those are issues that are important to a number of countries, you mentioned the EU and Japan, and that there was a decision in Doha to agree to proceed with negotiations provided there is an explicit consensus on the modalities. Our reading of things is that these two subjects are important for balance in the negotiations in order for these countries that I mentioned to feel that their stakes are being addressed. So we are working with those countries and others to try to fashion modalities that will be acceptable to the membership so that we can then move forward as expected from Doha.

QUESTION: Just on the issue of the medicines. As you decided that the European Union is mainly responsible for the problem on agriculture, everyone says that it is the U.S. that is mainly responsible for the problem on medicines. Now you say everyone else says that this thing's got to be done by Cancun or it could be a disaster in Cancun. I wonder whether you can share with us any ideas on how this problem could be resolved, given the fact that most people, and Lamy repeated this morning, said that it is not going to be possible now to completely redraft the December 16th Agreement?

ALLGEIER: Ok, two things: First of all, certainly we do hear from many countries that they very much want to see the TRIPS and medicine issue resolved by Cancun and we would like to see that happen too. What we do not hear from countries is that the TRIPS and medicine issue is an impediment in the same sense that agriculture is. I mentioned in non-agricultural market access, people are reluctant to move forward too far until they have a better picture of what's happening in agriculture. So there is much more of a substantive linkage between agriculture and the other negotiating subjects than there is between the TRIPS and medicine in these other negotiating subjects. TRIPS and medicine is a very important symbolic issue at this point. Please recall that there is a moratorium, self declared moratorium, by practically all of the countries who have pharmaceutical industries committing that they will not pursue dispute settlement in the WTO against the country that uses compulsory licensing with another country to meet its health needs. Every pharmaceutical producing country except Japan has announced such a moratorium.

So there is I think a difference in terms of the effect on the negotiations but I just want to assure you that we are taking seriously what we are hearing from our partners about that. As to how it

will be done, this is something that it is still under consideration. We certainly hear people in their statements that the December 16th text is something that there would be some risks to reopening. There are, however, possible solutions that would not involve reopening that text. There are additional things that countries could do as a group, or even individually, that could provide more assurance against abuse or against diversion. So let me just say that we are aware of the perils of reopening the December 16th text.

QUESTION : My first question, what are your expectations from Sharm El-Sheikh and my second one is that of a generalist and not a specialist on WTO issues. You've mentioned market access, I do understand that there is a major demand from the developing world, so why are you putting also the focus on market access?

ALLGEIER: Sharm El Sheikh is another one of these very important but informal ministerials. I think that there are going to be approximately 30 ministers there. So, it cannot be a decision-making meeting for the WTO itself. However, given the broad representation there geographically in terms of level of development, size of economies, and so forth, it is very important. If the ministers at that meeting can come to a sense of the steps that need to be taken in the next five weeks and then beyond, and they turn around and so instruct their delegations, that enables there to be some movement back here in Geneva because if those 30 delegations were to come back and be pushing in the same direction on issues, that would be enormously helpful to the process.

The other thing it does, is that it does force ministers personally to get involved in the issues at an earlier stage than just on the eve of the ministerial. That has proven to be extremely useful. It also helps to develop a network of cooperation among the ministers, so that when they reach a rough patch, they can work together more effectively.

In terms of market access, market access is important for all countries, developed countries, as well as developing countries. For example, in our case our farmers are saying they are prepared to see the support that they receive from the government now reduced. But they can only do that if they have improved prospects of selling their products overseas. That means improved market access. So that is just an example in agriculture.

If you look at our manufacturing sector there is very, very, strong support there to have tariffs eliminated, so we certainly have a market access interest. I think other developed countries have a market access interest, and as you said, for developing countries it's crucial.

AMBASSADOR DEILY: Let me, if I might, add one more thing on the expectations on Sharm El-Sheikh and it relates to what you just asked in terms of market access. There are two key areas, agricultural and the non-agricultural negotiations where we really need to see progress this weekend in this informal exchange. What are the signals of flexibility that people are willing to give? We've put forth very ambitious proposals in both areas, but we've also indicated that we're willing to engage and be flexible and listen to other delegations in terms of what their needs and thoughts are.

But we believe we need to see progress as we move forward with this. We've identified several times both in agricultural discussions and more generally in the negotiations that we really view this as a once in a generation opportunity. Because if you look at the time frames of how long it takes to kick off negotiations, complete them, and then implement them it is a generational opportunity. So at Sharm El-Sheikh, and in Geneva, we're watching and we're waiting for some movement to happen but we're running out of time.

QUESTION: Yes, Mr. Allgeier, I was wondering if we could have your views on Trade and Investment. The US is now strongly in favor of including this negotiation. Would it be a

minimalist outcome that you're looking for that's less than what you have in NAFTA, a watered down version, or is it going to be something stronger that you would like to see. Secondly with trade facilitation, if it makes it on the negotiating agenda, will there be an inclusion of the security component in light of the 9-11 aftermath. And thirdly I'd like to have your views on your assessment where the Iranian application is at the moment and your views will the Chinese get their way in downsizing Taiwan's status in this organization.

ALLGEIER: OK. First of all on investment. The starting point for us is we want strong protections for our investors overseas and we think that that actually is helpful to countries that want to attract investment. That is reflected in our bilateral investment treaties and not only in NAFTA but in the chapters that we have recently negotiated with Chile and with Singapore. Our assessment is that that level of protection is not possible in a negotiation in the WTO at this stage, and frankly that is why prior to Doha we had reservations about whether we should have such a negotiation here. Our business community was very concerned that if there is a less than a gold-plated investment agreement within the WTO, for one reason or another that would become the new standard. We have assured them that for the United States we will continue to negotiate our bilateral investment treaties and our FTAs with investment chapters at the high standard. So our response on investment is one more of, on the one hand, trying to accommodate those interests within the WTO for whom this is a very important issue, but doing it in a way that, while it is not the high level protection that we have in the FTAs or the BITs, does not undermine them. That it can be seen as a building block perhaps, to ultimately having stronger protection in the WTO. But in terms of things like the scope of the definition of investment and some kinds of base points, we would hope that they would be consistent with ultimately the kind of protection that we already get in our bilateral negotiations.

On trade facilitation, I think as I said, is well developed in terms of efficient customs procedures. Obviously that is more complicated since 9-11 and that inevitably will be part of the discussion. People will have to assure themselves that they are able to carry out these customs procedures in a way that facilitates legitimate trade but that also allows the kinds of security steps that need to be taken. We're confident that that can be done successfully.

I would ask if Ambassador Deily wants to say something about the Iran application or about the Chinese Taiwan situation?

DEILY: On the Iranian application, that application continues to be reviewed by the General Council and it will be on the agenda for discussion again, I think in July. I don't have anything more to add at this point on that. And on the other issues in terms of China and Chinese Taipei I think those are issues that the Director General continues to address with delegations as he does with any issue that comes up, I mean. This is a Member driven organization and I think the Director General tries to work to resolve whatever disputes there are with the parties involved, this being no exception to that process.

QUESTION: Ambassador, just to understand about the FTAA, is it correct that the other Latin American countries don't accept this idea of FTAA-lite, only focused on market access?

ALLGEIER: As I said, this first discussion that we had, and we held this discussion in our capacity as co-chairs of the process, was not the US delegation as the US delegation. It was basically for us to get a sense, an early sense, of what ministers were thinking in terms of what the FTAA should look like by January of 2005. Now, this is not the first time we thought about that because we've had guidance on it from the summit leaders and we're negotiating now in negotiating groups. But as we get to the point where we're going to have to start making decisions about the components of it we thought that we would start that discussion. The Brazilians put forward one sense of that. This was not a decision-making meeting either and so I think it's too early to say whether countries want an FTAA-lite or not. The one thing that was

very clear was they want a hemispheric free trade area in the sense that all 34 countries are part of it not just a bunch of bilateral agreements where you've got bilateral free trade between the United States and Chile or between Mercosur and Bolivia. There needs to be the cross-trade and that means they want an hemispheric framework. How robust that would be in the first instance is something that needs to be discussed further.

Thank you very much.

(End text)